



## The Budget Control Act of 2011, S. 627 as amended

**FIRST-YEAR CUTS.** The bill would provide caps on non-emergency discretionary spending for FY 2012-2021. The cap for FY 2012 would be \$1.043 trillion, which is a **\$7 billion** reduction compared to FY 2011. The House's appropriations process has been on course to reduce such spending by \$31 billion, a number which many RSC Members felt was insufficient (The RSC budget would have reduced this spending by \$71 billion). Per the bill, the discretionary cap for FY 2012 is **\$24 billion** above the current FY 2012 House appropriations plan.

**TEN-YEAR DISCRETIONARY CAPS.** The bill sets discretionary spending caps that increase gradually over the FY 2012-2021 period. According to the sponsors, the total spending cuts compared to the baseline are \$1.2 trillion. However, the spending cap rises from \$1.043 trillion in FY 2012 to \$1.234 trillion in FY 2021. This is measured as a cut because CBO's baseline assumes growth with inflation, instead of using zero baseline budgeting. Within the cap, there is a firewall protecting defense in FY 2012 and FY 2013, but not from FY 2014-2021.

**BALANCED BUDGET AMENDMENT.** The bill would require a vote on (not passage of) a Balanced Budget Amendment (BBA) in each house of Congress during last three months of 2011. If one house did pass a BBA, the other house would have to take up that BBA as-passed within 15 days. Nothing in the bill conditions the debt limit increase on a Balanced Budget Amendment being sent to the states.

**EMERGENCY SPENDING OUTSIDE OF CAP.** The bill allows emergency-designated spending or funding for the Global War on Terrorism to fall outside the caps. In order for spending to fall outside the cap, the President would have to designate it as an emergency and the Congress would have to so designate it in statute.

**DEBT LIMIT INCREASES.** The bill would grant the President an automatic \$400 billion debt-ceiling increase if he certified before the end of calendar year 2011 that the federal debt is within \$100 billion of the debt limit. Presumably such certification would come immediately upon enactment of this bill. The President would get an additional \$500 billion debt-ceiling increase if the Congress failed to pass a resolution of disapproval, subject to expedited procedures in the House and Senate (similar procedure to McConnell plan). If the resolution of disapproval passed, the President would presumably veto it, and the Congress could only override it with a two-thirds vote in both houses, pursuant to Article I, Section 7 of the Constitution. If, after the debt ceiling is increased by \$900 billion, the President later certifies that the federal debt is again within \$100 billion of the debt limit, the President could request up to \$1.6 trillion in additional debt, subject to the same disapproval procedures above. This debt limit increase would be contingent on the joint committee described below leading to enactment of a deficit reduction package in excess of \$1.6 trillion.

**JOINT COMMITTEE.** The bill would create a twelve-member Joint Select Committee on Deficit Reduction, which would be required to provide original recommendations (including legislative language) to "significantly" improve both the short- and long-term fiscal imbalance of the federal government, as well as to consider the recommendations from existing standing committees of Congress. The goal of the committee would be to reduce the deficit by \$1.8 trillion. A majority of the committee (seven members) would be able to report its legislative recommendations for reducing the deficit before Thanksgiving, and such legislation would be subject to expedited consideration in both houses. The bill does not prevent the joint committee from reporting legislation to increase taxes.

**MANDATORY SPENDING.** The legislation provides funding to fill a shortfall of \$17 billion (over two years) for the federal Pell Grant program. The bill more than offsets this spending by terminating Direct Loan Repayment Incentives, as well as subsidized loans for graduate students. Beyond that, the bill envisions any mandatory spending changes being done via the Joint Committee described above.